

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
GREENVILLE DIVISION

IN RE:)	
CAH ACQUISITION COMPANY #1, LLC, d/b/a	)	Case No. 19-00730
WASHINGTON COUNTY HOSPITAL,	)	Chapter 11
Debtor.)	
IN RE:)	
CAH ACQUISITION COMPANY #2, LLC, d/b/a	)	Case No. 19-01230
OSWEGO COMMUNITY HOSPITAL,	)	Chapter 11
Debtor.)	
IN RE:)	
CAH ACQUISITION COMPANY #3, LLC, d/b/a	)	Case No. 19-01180
HORTON COMMUNITY HOSPITAL,	)	Chapter 11
Debtor.)	
IN RE:)	
CAH ACQUISITION COMPANY 6, LLC, d/b/a	)	Case No. 19-01300
I-70 COMMUNITY HOSPITAL,	)	Chapter 11
Debtor.)	
IN RE:)	
CAH ACQUISITION COMPANY 7, LLC, d/b/a	)	Case No. 19-01298
PRAGUE COMMUNITY HOSPITAL,	)	Chapter 11
Debtor.)	
IN RE:)	
CAH ACQUISITION COMPANY 12, LLC, d/b/a	)	Case No. 19-01697
FAIRFAX COMMUNITY HOSPITAL,	)	Chapter 11
Debtor)	

IN RE:	)	Case No. 19-01227
CAH ACQUISITION COMPANY 16, LLC, d/b/a)	
HASKELL COUNTY COMMUNITY	)	Chapter 11
HOSPITAL,)	
	)	(Jointly Administered)
Debtor.)	
)	

TRUSTEE'S THIRD STATUS REPORT ON SALES OF DEBTORS' ASSETS

NOW COMES Thomas W. Waldrep, Jr., the trustee (the “Trustee”) for the above-captioned debtors (individually, a “Debtor,” and collectively, the “Debtors”), by and through undersigned counsel, and hereby submits this Third Status Report on the sales of the Debtors’ assets. In support thereof, the Trustee respectfully states as follows:

CAH Acquisition Company #1, LLC

1. At the hearing on January 16, 2020 (the “Sale Hearing”), the Court approved the Trustee’s motion to sell this Debtor’s assets [Case No. 19-00730, Dkt. No. 519] to Affinity Health Partners, LLC (“Affinity”) pursuant to Affinity’s stalking horse bid.
2. This Court’s Order approving the sale to Affinity [Case No. 19-00730, Dkt. No. 686] was entered on February 7, 2020. Also on February 7, 2020, the Trustee filed the *Trustee’s Status Report on Sales of Debtors’ Assets* in all of the Debtors’ cases (the “First Status Report”). With respect to this Debtor, the Trustee reported that he and Affinity were maintaining ongoing discussions regarding the closing of the sale of this Debtor’s assets. The Trustee also reported that, after consultation with the Bankruptcy Administrator, Washington County, and First Capital, the Trustee agreed to give Affinity an additional thirty (30) days, through and until March 1, 2020, to consummate the closing of this sale.
3. Since February 7, 2020, the Trustee has remained in daily contact with Affinity, which has employed Chip Ezell of Cobalt Capital Partners (“Cobalt”) to raise the funds necessary

to close on the sale of the hospital. As reported in the Second Status Report, Chip Ezell communicated with, and in some cases, traveled to meet with, at least six potential Investors that had expressed an interest in funding the purchase of this Debtor's assets.

4. In addition, Affinity has approached several asset-based lenders to fund the purchase of the hospital. A non-exhaustive list of such lenders has now been identified by Affinity. The lenders, and their respective points of contact, are:

- a. 1st Coastal Capital (Don Gurney)
- b. Kennedy Funding Financial (Mark Falzone)
- c. Broadmark Realty Capital (Brett Kaye)
- d. CIT Bank (Philip Robbins)
- e. Peak Capital Funding (Mark Nash)
- f. AMI Lenders (Jeff Emerson)
- g. ROK Lending (TBD)

5. Affinity has received a letter of interest, delivered by Kennedy Funding Financial to Affinity on March 9, 2020, outlining the terms for a two-year loan to finance the total sales price for this Debtor's assets. The letter of interest has been shared with Washington County, First Capital, and the Bankruptcy Administrator. The Trustee is informed and believes that additional lending offers will be proposed.

6. Affinity expects to close on its purchase of the Debtor's assets prior to the end of this month.

7. Although the Trustee is confident that Affinity will obtain funding for its purchase of the Debtor's assets, as a precaution the Trustee has requested that Sherwood Partners resume their efforts as sales agent for the Trustee to find alternative purchasers for these assets.

8. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

CAH Acquisition Company #2, LLC

9. At the Sale Hearing, the Trustee received a bid in open court for this Debtor's assets from Oswego Neuropsych Hospital, Inc. ("NHI"). Pursuant to the Court's Order authorizing the Trustee to consider such bid [Case No. 19-01230, Dkt. No. 297], the Trustee scheduled a phone auction that was ultimately canceled for lack of competing bidders, resulting in NHI as the sole, highest, and best bidder for this Debtor's assets.

10. The Court approved the proposed sale to NHI at a subsequent hearing on January 29, 2020 (the "Second Sale Hearing").

11. In the First Status Report, the Trustee reported that he maintained communications with NHI and was awaiting NHI's comments regarding the Sale Order and APA. At that time, the Trustee expected that closing would occur before the end of February. The Trustee uploaded the Sale Order and APA, with such Order being entered on February 18, 2020 [Case No. 19-01230, Dkt. No. 324].

12. As stated in the Second Status Report, the Trustee has maintained communications with counsel for NHI, who has indicated that the closing of the sale of this Debtor's assets will occur in March 2020. This expected timeline has not changed.

13. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

CAH Acquisition Company #3, LLC

14. At the Sale Hearing, the Court approved the Trustee's motion to sell this Debtor's assets [Case No. 19-01180, Dkt. No. 272] to Atchison Health Association ("Atchison") pursuant to Atchison's high bid at the December 19, 2019 auction (the "Auction").

15. In the First Status Report, the Trustee reported that he had uploaded the Sale Order and APA to the Court, which was entered by the Court on January 31, 2020 [Case No. 19-01180, Dkt. No. 371]. At the time of the First Status Report, the Trustee expected to close the purchase of this Debtor's assets by Atchison before the end of February.

16. The sale of this Debtor's assets did not close in February due to delays related to the purchaser's title insurance company, but the parties believe that the sale will occur in March 2020. The Trustee is currently holding funds for the full purchase price of the assets in his law firm's client trust account.

17. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

CAH Acquisition Company 6, LLC

18. At the Sale Hearing, the Court approved the Trustee's motion to sell this Debtor's assets [Case No. 19-01300, Dkt. No. 362] to Affinity Health Partners, LLC ("Affinity") pursuant to Affinity's stalking horse bid.

19. This Court's Order approving the sale to Affinity [Case No. 19-01300, Dkt. No. 486] was entered on February 7, 2020. In the First Status Report, the Trustee reported that he and Affinity were maintaining ongoing discussions regarding the closing of the sale of this Debtor's assets. The Trustee also reported that, after consultation with the Bankruptcy Administrator,

Washington County, and First Capital, the Trustee agreed to give Affinity an additional thirty (30) days, through and until March 1, 2020, to consummate the closing of this sale.

20. As stated above with respect to Washington County Hospital, the Trustee has remained in daily contact with Affinity with respect to the I-70 facility. The Investors and the lenders mentioned in this Status Report with respect to Washington County Hospital also apply to the I-70 facility, except that Affinity has not yet presented the Trustee with a letter of intent or term sheet.

21. Affinity expects to close on its purchase of the Debtor's assets prior to the end of this month.

22. Although the Trustee is confident that Affinity will obtain funding for its purchase of the Debtor's assets, as a precaution the Trustee has requested that Sherwood Partners resume their efforts as sales agent for the Trustee to find alternative purchasers for these assets.

23. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

CAH Acquisition Company 7, LLC

24. At the Sale Hearing, the Court approved the Trustee's motion to sell this Debtor's assets [Case No. 19-01298, Dkt. No. 341] to Transcendental Union with Love and Spiritual Advancement ("TULSA") pursuant to TULSA's high bid at the Auction.

25. In the First Status Report, the Trustee reported that he had uploaded the Sale Order and APA to the Court, which was entered by the Court on February 4, 2020 [Case No. 19-01298, Dkt. No. 450]. At that time, the Trustee expected to close the purchase of this Debtor's assets by TULSA within thirty (30) days following the entry of the Sale Order.

26. As reported in the Second Status Report, this sale was delayed, as TULSA obtained counsel. Trustee has maintained contact with such counsel and expects the sale to close in March 2020. The Trustee is currently holding funds for the full purchase price of the assets in his law firm's client trust account.

27. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

CAH Acquisition Company 12, LLC

28. At the Sale Hearing, the Court approved the Trustee's motion to sell this Debtor's assets [Case No. 19-01697, Dkt. No. 330] to Rural Wellness Fairfax, Inc. ("RWF") pursuant to RWF's high bid at the Auction.

29. In the First Status Report, the Trustee reported that he maintained communications with RWF and, at that time, anticipated submitting the Sale Order and APA to the Court within a week of the filing of this Status Report, with closing expected to occur within thirty (30) days following the entry of the Sale Order. The Trustee subsequently uploaded the Sale Order and APA, which was entered by the Court on February 14, 2020 [Case No. 19-01697, Dkt. No. 447].

30. As reported in the Second Status Report, the Trustee anticipates that the sale will close within the projected thirty (30) days following the entry of the Sale Order. The parties are working towards a closing date of March 12, 2020, one day ahead of what was reported in the Second Status Report.

31. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

CAH Acquisition Company 16, LLC

32. At the Sale Hearing, the Trustee received a bid in open court for this Debtor's assets from Haskell Regional Hospital, Inc. ("HRH"). Pursuant to the Court's Order authorizing the Trustee to consider such bid [Case No. 19-01227, Dkt. No. 405], the Trustee scheduled a phone auction that was ultimately canceled for lack of competing bidders, resulting in HRH as the sole, highest, and best bidder for this Debtor's assets.

33. The Court approved the proposed sale to HRH at the Second Sale Hearing.

34. In the First Status Report, the Trustee reported that he maintained communications with HRH and was awaiting HRH's comments regarding the Sale Order and APA, and, at the time, the Trustee expected that closing would occur within thirty (30) days following the entry of the Sale Order. Such Order was subsequently uploaded and entered by the Court on February 18, 2020 [Case No. 19-01227, Dkt. No. 430].

35. As reported in the Second Status Report, the Trustee anticipates that the sale will close within the projected thirty (30) days following the entry of the Sale Order.

36. The Trustee will update the Court weekly as to the status of this closing, with the next such weekly update being filed no later than March 17, 2020, if needed.

Respectfully submitted, this the 10th day of March, 2020.

WALDREP LLP

/s/ Thomas W. Waldrep, Jr.

Thomas W. Waldrep, Jr. (NC State Bar No. 11135)

Jennifer B. Lyday (NC Bar No. 39871)

Francisco T. Morales (NC Bar No. 43079)

101 S. Stratford Road, Suite 210

Winston-Salem, NC 27104

Telephone: 336-717-1440

Telefax: 336-717-1340

Email: notice@waldrepllp.com

- and -

HENDREN, REDWINE & MALONE, PLLC

Jason L. Hendren (NC State Bar No. 26869)

Rebecca F. Redwine (NC Bar No. 37012)

4600 Marriott Drive, Suite 150

Raleigh, NC 27612

Telephone: 919-420-7867

Telefax: 919-420-0475

Email: jhendren@hendrenmalone.com

redwine@hendrenmalone.com

Co-Counsel for the Trustee